



## **City of Alameda Utilities Modernization Act (UMA) Frequently Asked Questions**

### **What is the Utilities Modernization Act?**

On July 5, the Alameda City Council placed the Utilities Modernization Act (UMA) on the November 2016 ballot. This measure will allow Alameda to maintain essential city services such as police, fire, street and sidewalk repairs, park maintenance, and library services by modernizing our existing Utilities Users Tax (UUT) and confirming Alameda Municipal Power's (AMP) historical support of city services.

### **What is the Utility Users Tax?**

The Utility Users Tax (UUT) is an existing tax on certain utility bills. Since 1972, Alameda residents have paid a UUT on electricity, gas, cable TV, and telecommunications. Eight out of ten Alameda County Cities with a UUT have modernized their language; Alameda and Piedmont are the only cities that have not.

### **What does the Utility Users Tax fund?**

The City of Alameda's UUT revenues fund high quality services including rapid 9-1-1 emergency response, police patrol and investigations, fire protection, street and sidewalk maintenance, parks and recreation, libraries, and other programs and services—all of which maintain Alameda's quality of life.

### **What is the nature of the update?**

Alameda's existing UUT ordinance was written long before anyone could have envisioned how technology would change. This update modernizes the UUT ordinance by simply clarifying what services are covered and equally applying the tax across all providers. Today, some cell phone companies are collecting the tax and some are not. Taxes should be applied fairly and equally. When two customers with similar services but different providers are paying different taxes, that's not fair and equal.

### **What will be the impact if this measure is not approved?**

Revenues from the UUT decline each year as technology changes and service providers apply it unequally due to ambiguous language in the existing ordinance. This decline reduces Alameda's ability to fund essential city services such as public safety, street and sidewalk repair, and parks. If the UUT is not updated, this decline will continue and Alameda will face significant cuts to core city services. If the AMP transfer is not confirmed, the City's General Fund could lose up to \$3.7 million in funding for city services each year.

### **Does this measure tax the Internet?**

No. Federal law (the Permanent Internet Tax Freedom law) prohibits all local taxes on Internet access, whether by broadband, DSL, Wi-Fi, WiMAX, or Wireless Mesh, and prohibits taxing satellite TV.

### **Will the Utility Modernization Act tax Netflix and other streaming services?**

No. The City is updating language in order to restore revenues that are being lost as people shift from land lines to cell phones. If in the future there is another shift to an emerging technology, the updated language would allow the City to determine if a change should be considered. At this time the City has no intentions to change the tax except to ensure that it is being applied correctly and fairly by all cell phone providers.

### **Will this change or create a new Utility Users Tax?**

Absolutely not. The UUT will remain at 7.5% as approved by voters in 1998, and will continue to apply to the same four services it has for 40 years, electricity, gas, cable and telecommunications.

**Will this change increase the UUT or AMP's electric rates that are charged to residents?**

No, the UUT rate will remain at the existing 7.5% rate and AMP's electric rates will not be affected.

**Will the exemptions remain in place?**

Yes. Seniors 65 and over and low-income residents will continue to receive a UUT exemption as they do now, including an option for seniors to donate their exemption to Mastick Senior Center. The UMA increases the exemption age from 62 to 65, the recognized current retirement age.

**What about the AMP transfer?**

Currently, AMP transfers \$2.8 million annually to the City (as all Utility companies do for the cities in which they operate) to provide essential city services, and funds approximately \$900,000 for the electricity and maintenance of our street lights. In addition to updating UUT language, the UMA updates language in the City's Charter to confirm this transfer, which began in 1914 and was officially adopted in 1937.

**Do utilities in other cities transfer funds to support city services?**

Yes. The AMP transfer is standard practice in all other cities with city-owned utilities. In cities and counties with Investor-Owned Utilities (i.e. PG&E), the utility pays a similar franchise fee to cover the cost of the utility being able to use city streets for its distribution lines and to support essential public services.

**Will this change my bill?**

Your AMP electricity bill will not change. Some cell phone carriers are currently applying the tax to their customers and some are not. If your carrier is applying the tax correctly, your bill will not change. If your carrier has not been applying the tax as they should, your bill could increase depending on your carrier and your usage, ranging from \$0 increase to around \$5 per month.

**If nothing is changing, why do we need to vote on this?**

If we do not clarify that the UUT applies to all telecommunications, including newer technologies like cell phones, the City will continue to lose revenues each year as some companies are applying the tax correctly and some are not. It is unfair for residents with the same service to pay different amounts in taxes. Voters are being asked to approve the annual transfer by AMP to the City to avoid this century-old practice from being challenged in court.

**How can I be sure that the UUT and AMP transfer revenues are spent responsibly?**

All revenues from the UUT and AMP are and will continue to be subject to an annual audit.

**How much funding does the UUT and AMP transfer generate for city services each year?**

The UUT is the fourth largest revenue source for city services funded by the General Fund. This UUT modernization will shore up funds that the City is now losing, an estimated \$1.5 million, due to changing technologies. This measure will return the City's UUT revenue to the amount collected in 2007 and ensure a stable funding source that is under local control – these funds cannot be taken by the State. In addition, every year AMP supports the City by transferring \$2.8 million to the City's General Fund to pay for essential city services, and supports streetlight maintenance.

Together, the UMA maintains over \$5 million of annual funding for core city services.

**What does the Utilities Modernization Act fund?**

The UMA does not expand city services, it maintains funding for existing city services that are funded by the City's General Fund.

